

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report

For the Fiscal Year Ending December 31, 2004

Helping you build a brighter tomorrow

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Telephone: (573) 632-9203
Toll-Free: (877) 632-2373
Facsimile: (573) 761-4404
Website: www.mocerf.org
E-mail: admin@mocerf.org

CERF Savings Plan Information

Great-West Retirement Services
100 N. Tucker, Suite 100
St Louis, MO 63101

Toll-Free: (877) 895-1394
Facsimile: (314) 241-2181
Website: www.gwrs.com*
E-mail: stephen.richer@gwrs.com
KeyTalk® Information Line: (800) 701-8255*

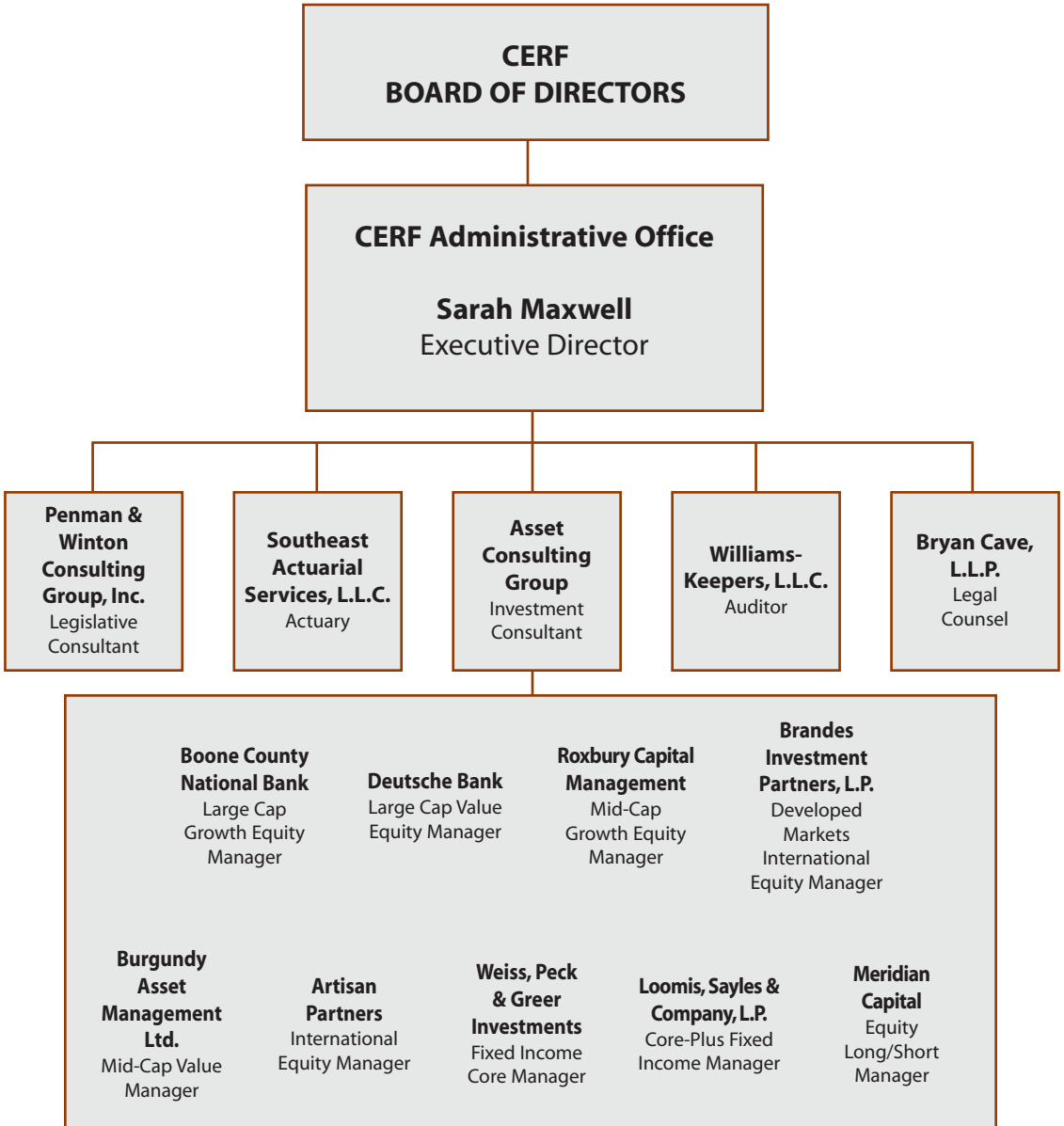
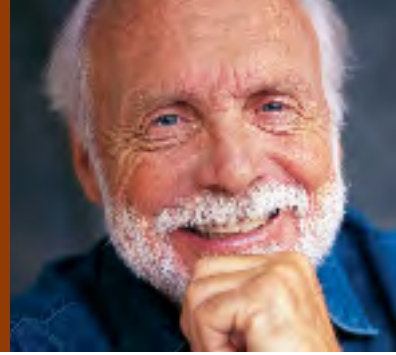
*Social Security Number and Personal Identification Number required.



COUNTY EMPLOYEES' RETIREMENT FUND 2004 Board of Trustees

*Seated (l to r): Jerry Reynolds, Frank Sifford, Wayne Scharnhorst, Fred Ward, and Dick Jones.
Standing (l to r): Bettie Johnson, Conny Dover, Kay Murray, Elaine Luck, and Rosemary Gannaway.*

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri's Open Records Law. To request any of these documents, you may send a written request to the plan administrator at:

*CERF Plan Administrator
2121 Schotthill Woods Drive
Jefferson City, MO 65101*

The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.

Cerf Pension Plan

Eligibility

Full-time employees (scheduled to work 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.

Participation

Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time employees begin participating once they become eligible.

Contributions

House Bill 1455 required all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county contributions in the form of fees and penalties.

Vesting

A participant is vested after eight creditable years of service.

Prior Service

Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.

Early Retirement

Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment after January 1, 2000, and meet other eligibility requirements.

Cost-of-Living Adjustment

The Board may authorize a COLA each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. Cost-of-Living Adjustments will become effective on July 1 of each year.

Survivor Benefits

ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000. In addition, if the participant's death should occur after eight years of service, the surviving spouse is eligible to apply for a 50% spousal benefit.

VESTED TERMINATIONS: If a participant is vested but terminates employment prior to becoming eligible to draw a benefit, and then dies before his or her pension begins, his or her surviving spouse can apply for a 50% survivor benefit.

SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.

RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option designated on his or her benefit calculation. Members who terminate employment or retire after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.

Cerf Savings Plan

Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

Voluntary Contributions

Participants may contribute up to the lesser of \$13,000, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who remain employed through the end of the year and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

Vesting

Members are always 100% vested in their automatic and voluntary contributions to the plan and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire) or if they die during the plan year.

Investment Options

A broad range of investment options is available, including the option to pick individual funds or investing through a selected portfolio.

Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either the voice response system or through the website at www.gwrs.com.

Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, periodic distributions, or in a lump sum.

Rollovers and Plan Transfers

Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

Need More Information

For more information on the CERF Savings Plan, please see the contact information on the Administration page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

Investments

Overview

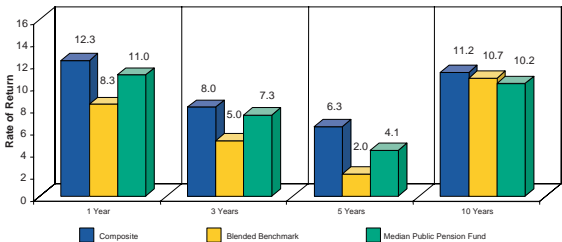
The County Employees' Retirement Fund (CERF) investment portfolio is managed in accordance with the plan's investment policy, which clearly defines the guidelines and parameters within which CERF's retirement plan assets are to be invested and monitored.

Total Portfolio Investment Guidelines and Objectives

CERF's investment objectives are stated as long-term goals and are designed to maximize return within prudent risk parameters. All decisions made on CERF's pension plan investment portfolio are in the best interest and for the benefit of the plan's participants.

CERF's long-term investment objectives are three-fold: (1) to achieve a return of 1% over the actuarial assumption rate (currently 8%), (2) to grow the portfolio assets at a pace which exceeds inflation by 5% annually, and (3) to outperform a blended passive index which mirrors the portfolio's asset allocation mix. The Board of Trustees has stated specific risk parameters within which these objectives are expected to be achieved.

The following chart represents CERF's investment performance compared to relevant benchmarks for various time periods ending December 31, 2004:



Total Portfolio Asset Allocation

The asset allocation mix is reviewed on an ongoing basis to ensure that it is appropriate, given CERF's investment objectives and guidelines and considering other factors such as the size of the portfolio, the fund's liability stream and risk tolerance.

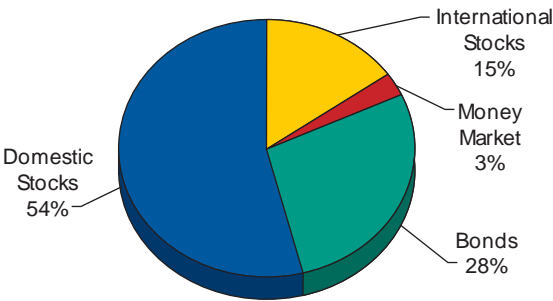
Historically, there have been two major broad asset classes used in the portfolio; equity and fixed income, with a target allocation of 60% in equity and 40% in fixed income.

During 2004, the CERF Board of Trustees conducted an asset allocation review with assistance from their investment consultant and actuary. As a result of that review, it was determined that it was appropriate to further enhance the portfolio's diversification by modestly broadening the investment strategies

or asset classes in which it invests. Specifically, a 5% allocation to real estate was added to the target asset mix. The real estate allocation will be implemented in 2005 through a well-diversified pooled investment vehicle (fund).

The chart below depicts the total pension plan's asset allocation as of December 31, 2004:

Total Assets: \$174,962,231



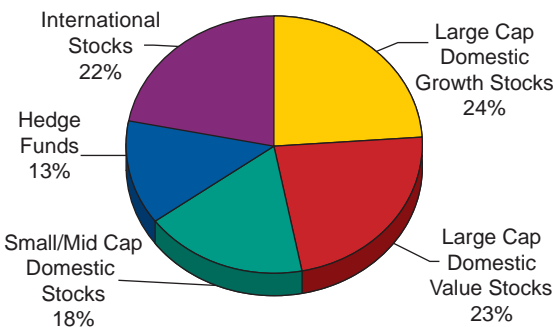
Equity Portfolio Guidelines and Objectives

As the CERF investment portfolio assets have grown, the Board of Trustees has continued to enhance diversification by broadening the pension plan's investment strategies or sub-asset classes in which it invests.

During 2004, an allocation to equity hedge funds was added to the portfolio. The objective of these hedge fund strategies is to help protect the portfolio in difficult markets while providing attractive returns in strong markets.

Because different types of stocks behave differently in various market environments, it is important to diversify an equity portfolio. CERF's equity portfolio is diversified by asset class (domestic stocks, international stocks and equity long/short hedge funds), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks), and investment management organization (different money managers are responsible for managing specific pieces of the portfolio).

The following chart displays the equity asset allocation for the CERF pension plan as of December 31, 2004:



Equity Style Allocation

Investments

Each investment manager constructs and manages an investment portfolio consistent with the investment philosophy and discipline they were hired to implement. Each equity manager is expected to invest in a well-diversified portfolio of high quality securities. They are also expected to match or exceed the return of the appropriate benchmark, on a risk-adjusted basis, net of management fees and transaction costs. As a secondary measure of performance, the total return of each equity portfolio should perform well as compared to other equity managers employing similar investment styles over a complete market cycle.

Fixed Income Portfolio Guidelines and Objectives

Bond or fixed income investments are included in the portfolio to provide diversification. The fixed income portfolio is designed to be representative of the broad fixed income markets, with an emphasis on high quality bonds. The objective of the fixed income portfolio is to equal or exceed the return of the Lehman Brothers Aggregate Index on a risk-adjusted basis. The portfolio is also expected to perform above average when compared to other similar fixed income portfolios over a complete market cycle.

2004 Year in Review

Driven by exceptional earnings growth, U.S. equities delivered solid returns last year. The S&P 500 returned 10.9% in 2004 while the broader Wilshire 5000 index returned 12.6%, each producing double-digit percentage returns for the second straight year and for the first time since 1999. Small cap stocks outperformed large cap stocks for the sixth straight year in 2004 with the Russell 2000 posting an 18.3% return versus 11.6% for the Russell 1000. This is the longest streak in the 26-year history of the two benchmarks that small cap stocks have outperformed large cap stocks.

International stocks were the top performer of 2004 with the MSCI EAFE index posting a 20.7% return. Much of the outperformance of international stocks was due to a weaker U.S. dollar, which boosted the dollar-based returns of foreign investments. However, even after adjusting for the effect of a depreciating U.S. dollar, international stocks still outperformed domestic stocks.

With interest rates still near their lowest levels in decades, U.S. investment-grade bonds and cash posted the weakest relative returns for the second straight year, with the Lehman Brothers Aggregate Bond Index returning 4.3% in 2004. Higher risk bonds generally outperformed lower risk bonds once again in 2004 as credit spreads continued to tighten, corporate fundamentals remained strong, and the equity markets rose.

During 2004, CERF's portfolio participated in the continued positive performance of the equity and fixed income markets, posting a total return of 12.3%. The Fund significantly outpaced the 8.6% return of its policy index, and statistical data provided by CERF's investment consultant ranked CERF's total fund performance in the top third when compared to other public pension funds for the year of 2004. Over the ten-year period ending December 31, 2004, CERF ranks in the top fourth when compared to the same peer group. Just as importantly, CERF's investment returns have been achieved with less risk than the policy index.

The following chart summarizes the pension plan's actual return and risk over a ten-year period ending December 31, 2004:

Total Pension Fund Performance			
For Periods Ending December 31, 2004*			
	Benchmark	Objective CERF	Objective Met?
• At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis.**	9.0%	10.8%	YES
• The Pension Fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.4%	10.8%	YES
• The Pension Fund's total return should exceed the total return of an index composed as follows: 60% S&P 500 Stock Index 40% Lehman Brothers Aggregate Bond Index	3.6%	10.8%	YES
• The Pension Fund's level of risk, as measured by Standard Deviation, should be similar to the risk of an index composed as follows: 60% S&P 500 Stock Index 40% Lehman Brothers Aggregate Index	11.0	11.5	YES

* All returns shown are for **10 years** ending December 31, 2004.
** The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption by 1%, which is an absolute objective of 9%, net of management fees and transaction costs. **Long-term is defined as ten years.**

Ongoing Monitoring

CERF's Board of Trustees meets formally on a quarterly basis to review investment portfolio results and to discuss issues related to the portfolio. In addition, meetings are held as needed on an interim basis to address specific issues.

The investment consultant assists the Trustees in formulating and updating investment policy, developing, monitoring and updating the asset allocation strategy, assessing overall portfolio and individual manager risk, monitoring and evaluating the fund's investment managers, and making recommendations on changes or adjustments to the portfolio where appropriate. The consultant provides monthly reports to the staff and meets with the Board quarterly or more frequently as needed.

The investment managers also provide monthly updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board annually.

Actuarial

PLAN MEMBERSHIP

AS OF JANUARY 1, 2005

Covered Payroll	\$290,944,956
Average Pay per Active Member	\$27,301

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$75,877,282
Amortization of UAAL, with interest to mid-year*	\$5,511,467
Normal Cost, with interest to mid-year	\$12,017,884
Reduction in Normal Cost for member contributions	\$3,885,263
Annual Required Contribution as a percent of payroll	\$13,644,088 4.69%

PLAN ASSETS

Market / Actuarial Value	\$178,497,546
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FUNDED STATUS

Actuarial Present Value of Accrued Benefits	\$216,401,357
Funded Ratios	
Accumulated Benefit Basis	82%
Actuarial Accrued Liability Basis	70%

* The UAAL is being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995.

County Employees'

Financial Statements

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2004

ASSETS:

Investments at Fair Value:

Investments	\$	151,255,802
Net unrealized gains (losses)		23,077,400
Total Investments	\$	<u>174,333,202</u>

Receivables:

Accrued dividends & interest on investments	565,741
Accounts Receivable – Counties	2,216,874
Accounts Receivable – Members	284,003
Accounts Receivable – Buyback	151,802
Accounts Receivable – CERF Administrative Office	2,001

Land and Building 2,207,061

Office Equipment – net of depreciation 595,006

Cash in bank 63,072

Total Assets \$ 180,418,762

LIABILITIES:

Accounts payable	\$	861,300
Accrued defined contribution plan contribution		864,074
Other accrued expenses		96,327
Deferred revenue		<u>99,515</u>

Total Liabilities \$ 1,921,216

Net Assets Available for Benefits \$ 178,497,546

Retirement Fund



STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2004

ADDITIONS:

Contributions:

County Receipts	\$18,643,018
Members, regular	3,892,500
Members, purchase of prior service	95,149
Total Contributions	<u>\$22,630,667</u>

Investment Income:

Interest Income	2,603,897
Dividends	1,783,509
Net appreciation in fair value of investments	14,363,230
Total Investment Income	<u>18,750,636</u>
Less: Investment expenses	(983,752)

Net Investment Income	<u>17,766,884</u>
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Total Additions	<u><u>40,397,551</u></u>
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DEDUCTIONS:

Benefits paid directly to participants	8,776,912
Refunds of member contributions	659,692
Defined contribution plan matching contribution	864,074
Administrative expenses	1,950,692
Total Deductions	<u>12,251,370</u>

Net Increase	28,146,181
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Net Assets Available for Benefits

Beginning of Period	150,351,365
End of Period	<u><u>\$178,497,546</u></u>

CERF Demographics

(Data as of December 31, 2004)

Active Participants	10,657
Retired Members and Beneficiaries	1,818
Terminated Vested Participants	1,068

Sum of Death Benefits (since inception)	\$ 2,174,948
Sum of Remaining Buy Back Balances	\$ 151,802
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$ 40,544,867

Average Gross Monthly Benefit	\$389.93
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Summary of County Contributions for 2004

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Filing Fees
\$3,826,852	\$1,263,225	\$5,740,401	\$52,388	\$3,878,985	\$515,945	\$7,243,962

County Employees' Retirement Fund

2121 Schotthill Woods Drive

Jefferson City, MO 65101

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